



Harrah's Philadelphia

Petition to Modify Gaming Floor Plan

June 16, 2021





Executive Summary

- We are seeking approval for a reduction in the slot machine count and of a reconfiguration of the gaming floor due to a significant oversupply and underutilization of our existing slot machines.
- We are requesting a reduction of 563 slot machines, therefore reducing the slot count from 2,263 to 1,700.
- The overall approved square footage of the gaming floor will remain unchanged.
- There will be no impact to Table Games nor to any other gaming floor amenities.
- The new layout will provide a more comfortable gaming environment for our guests and we do not anticipate any revenue loss from this reduction.



Reduction Details

The proposed 563-unit reduction will bring the full floor count to **1,700 units**, which will be a **372-unit increase** over our post-Covid re-opening count due to social distancing

563-Unit Details

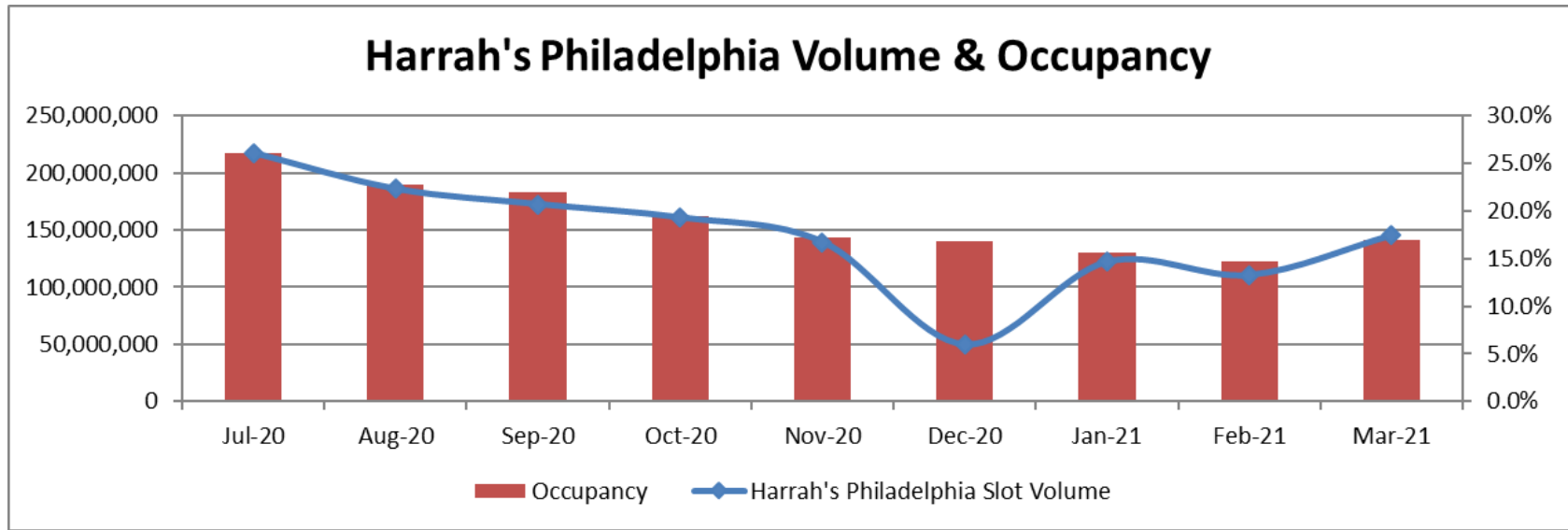
- Machines selected for removal are all fully owned units and some of **the oldest and least profitable** on the gaming floor (average age is 10.3 years)
- 338 of 563 removals are from smoking – **reducing the number of slots in smoking from 53.95% to 51.94%**

Benefits

- The reduction is intended to **create a safer and more comfortable environment** for our customers
- There will not be any changes to staffing levels due to the reduction
- Despite the reduction in units, we **do not anticipate revenue loss nor a reduction in tax revenue to the Commonwealth**



Post-COVID Slot Performance



- Reopening volumes, with limited capacity, **peaked** in July and August of 2020 due to pent-up demand, extended closures of the Philadelphia properties, and restrictions that remained in place in Atlantic City.
- Occupancy remained in the **15%-20% range**, despite a 50% reduction in units due to social distancing requirements, once volumes stabilized and all properties reopened with capacity restrictions.



Supply & Occupancy

1,700 units can both adequately and comfortably handle peak occupancy periods

- Based on data from the 12-month pre-COVID period:
 - Our highest occupancy hour during this time frame was on March 2, 2019 at 9pm
 - With occupancy at 62.5%, there were still 850 available units
 - With the proposed reductions, there would still be excess capacity of 287 available units





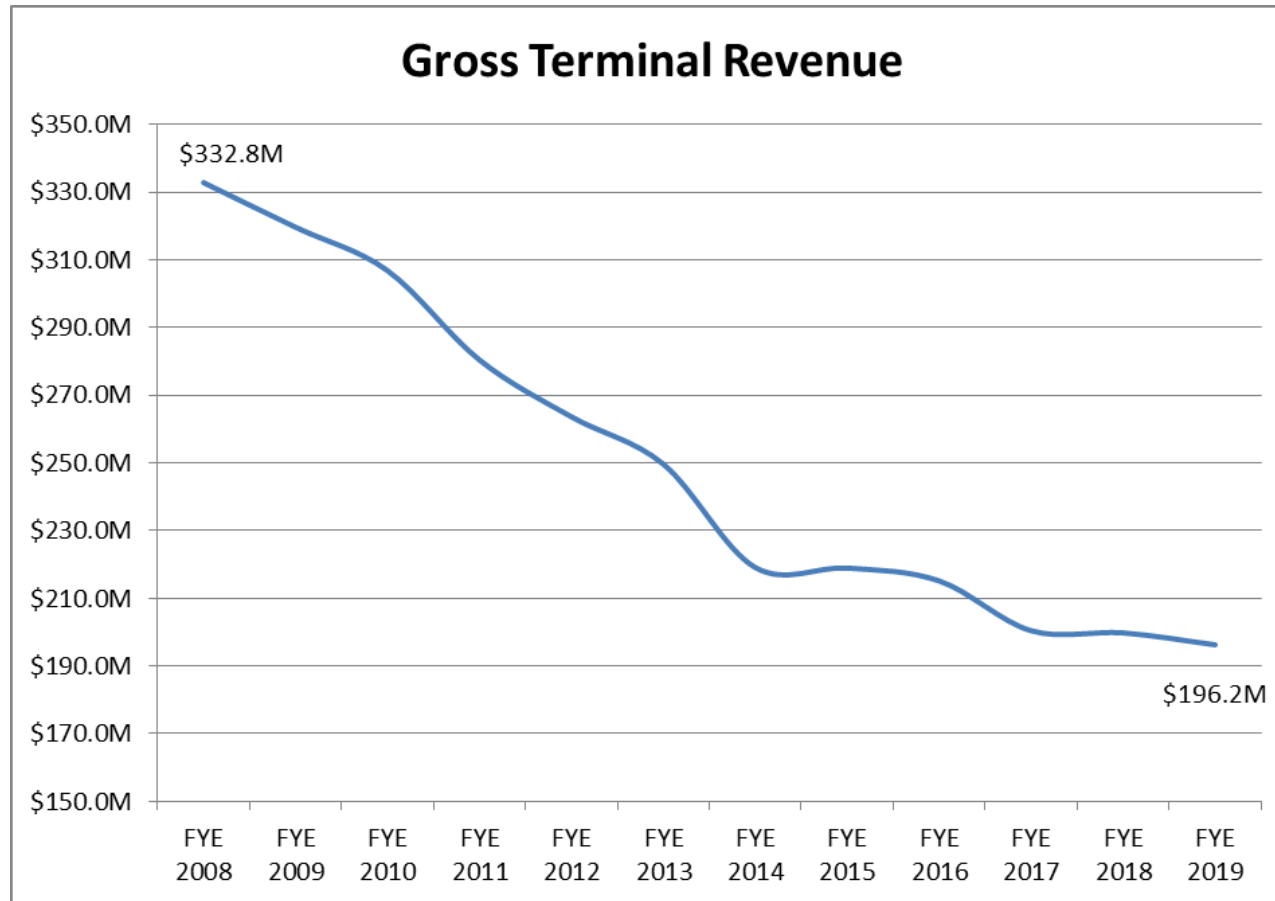
Increased Focus on Spacing and Overall Customer Comfort



- Wherever possible, we've proactively made efforts to space wall units, break-up extended rows, and add more pods and end positions
- The reduction would allow us to implement additional spacing across the entire gaming floor



Recent Gross Terminal Revenue Trends



- Harrah's Philadelphia gross terminal revenue has declined during every PGCB fiscal year going back to 2008 (FYE 2020 excluded due to COVID impact).



Slot Investment

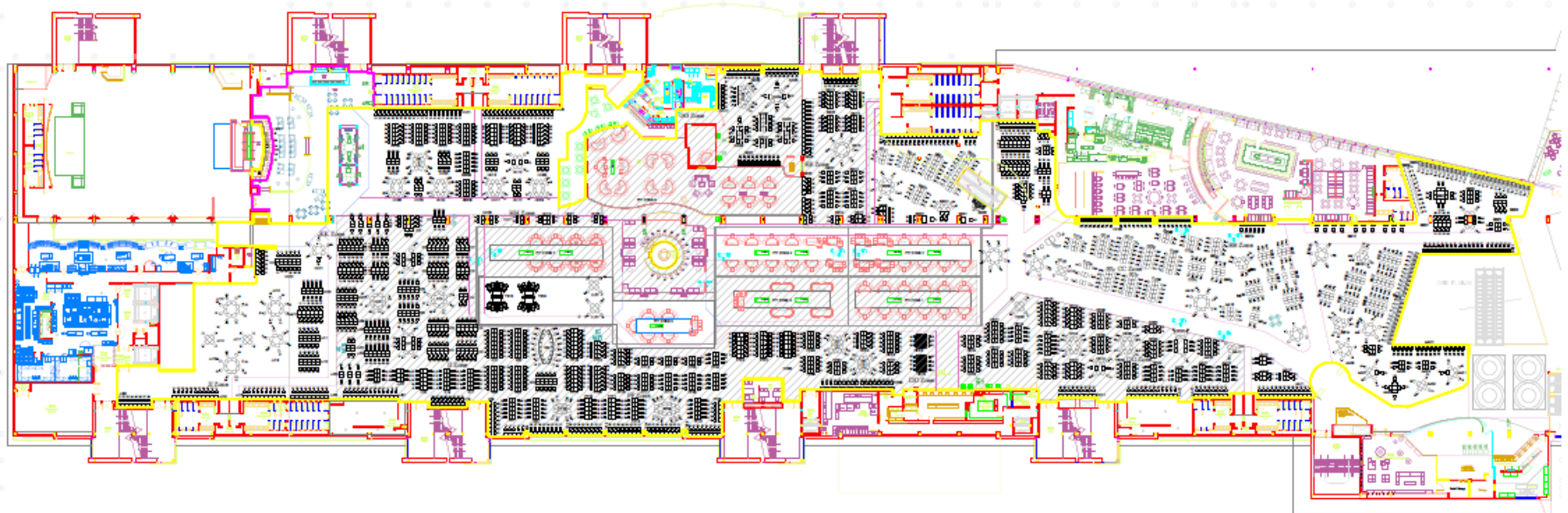
Harrah's Philadelphia is committed to investing in our Property despite revenue declines driven by regional gaming expansion. We have invested over \$44 MM in the past 5 years including:

- \$1.3M spent to re-carpet entire gaming floor (2017)
- \$1M spent on new slot chairs (2018)
- \$2.5M spent on leased units (2019)
- \$39.4M in promotional play (2019)
- 120 new games added (2019-2020)



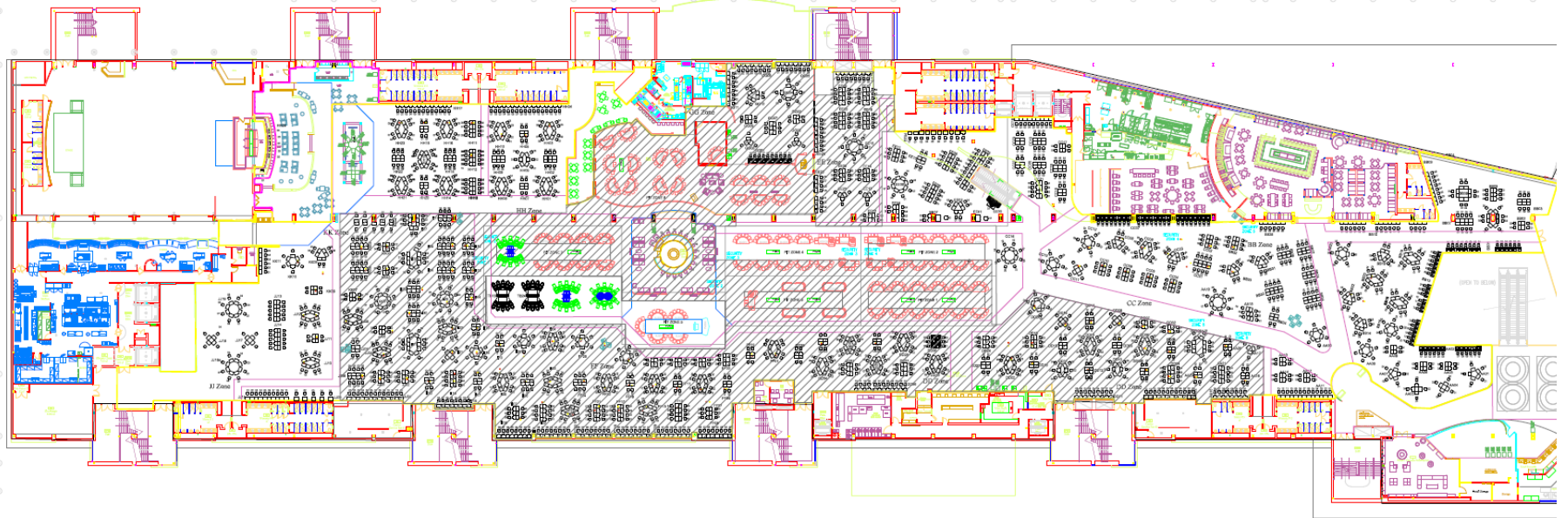


Current Floor Map





New Floor Map





Conclusion

- We respectfully request that the Board enter an order pursuant to 58 Pa. Code § 467a.1(c) granting approval of Harrah's Philadelphia's request for a permanent reduction of slot machines by 563 slot machines from 2,263 to 1,700 slot machines and approve the gaming floor reconfiguration.
- Thank you for your time and consideration!



Closing

Questions?